



Statement of Corporate Intent

For three years to 30 June 2022

This statement is presented by the Directors of Port Otago Limited in accordance with the requirements of Section 9 of the Port Companies Act 1988 and reflects the intentions of Port Otago Limited, its subsidiaries and associates (“the Group”) for the three years of the Company’s operations from July 2019 to June 2022.

1. Objectives of the Group

- 1.1. To continue to improve the safety culture across all aspects of the business and progress critical risk elimination efforts to achieve our Zero Harm Objective.
- 1.2. To provide a quality service to cargo owners (Customers) and shipping lines (Partners) by way of a competitive choice in the supply chain.
- 1.3. To provide staff with a safe working environment, satisfying rewards and training within the Group.
- 1.4. To continue to review activities and services focusing on continuous improvements and optimum utilisation of staff and resources to meet the demands of changing trade patterns.
- 1.5. To implement pricing and cost management strategies so that long term profits are earned to give shareholders an appropriate return on the port infrastructure and to provide funds for future development of the Group.
- 1.6. To recognise in all aspects of the Group’s activities the environmental sensitivity of the Otago Harbour and the impact on local communities.
- 1.7. To conduct itself as a good corporate citizen consulting on matters of public interest.
- 1.8. To communicate the Company’s plans and achievements to staff, shareholders and the wider community and to be receptive to constructive comment.
- 1.9. To manage the investment property portfolio through active acquisition, development and, at times, divestment to produce a diversified portfolio by property type and location.
- 1.10. To manage investment property holdings to achieve the best long-term value gain while limiting exposure to undeveloped land.

2. Nature and scope of activities

2.1. The activities of the Company, its subsidiaries and associates are to comprise generally:

- 2.1.1. The efficient operation and promotion of the Port Otago Group.
- 2.1.2. Provision of integrated container and bulk cargo handling, warehousing, container depot and cruise services
- 2.1.3. Provide pilotage and towage services to facilitate the safe navigation of commercial shipping requiring pilotage within the Otago Harbour and Fiordland.
- 2.1.4. Grow the investment property portfolio, evaluate and take up new investment and development opportunities to improve asset values and rates of return. Sales of leasehold land will be considered where a sale advances development and employment opportunities in Dunedin.
- 2.1.5. Evaluate opportunities considered likely to add value to, or enhance the competitiveness of, the Company.
- 2.1.6. Such other actions that may be required to meet the objectives of the Company recorded under item (1) above.

2.2. The following table details the company's trading subsidiaries and joint ventures:

Name	% owned	Principal Activity
<i>Subsidiaries</i>		
Chalmers Properties Limited	100%	Property investment
Te Rapa Gateway Limited	100%	Property investment
Fiordland Pilot Services Limited	100%	Shipping services
<i>Joint ventures and associates</i>		
Icon Logistics Limited	50%	Transport company
Hamilton Porter Joint Venture	66.6%	Property investment

2.3. The specific activities of the Group for the three years under review to June 2022 are expected to include the following:

2.3.1. Year ending June 2020

Port Otago – port operations
a. Continue to build the safety culture across all aspects of the business.
b. Adapt to changes in the global shipping industry to ensure appropriate services are available to our customers, investing in appropriate infrastructure to enable sustainable cargo flows for future generations.
c. Continue to invest in cruise infrastructure and resources to accommodate the expected 130 cruise ship visits.
d. Continuation of dredging in the harbour to facilitate the safe access of ships to berths and cater for larger ships.
e. Continue to evaluate and where practical, implement technology solutions to deliver improved environmental outcomes, such as an electric light vehicle fleet, automation solutions and shore power for vessels.
f. Complete the Boiler Point fishing wharf to enable the public to enjoy this new public amenity.
g. Obtain resource consent for the new beach project at Te Rauone and start construction of the groynes.
h. Construct Port Otago office at Port Chalmers.
i. Complete the removal of material from the Flagstaff Hill.
j. Removal of all remaining asbestos from Port Otago facilities to move to an asbestos free workplace.
k. Continue to work constructively with community consultative groups including supporting the independent chair of the Noise and Environment Committee to better understand neighbourhood issues and develop practical solutions.
l. Continue to engage and support the Harbourside vision alongside Otago Regional Council, Dunedin City Council and University of Otago.
Chalmers Properties Limited, subsidiary and joint ventures
m. Continue to implement the strategy for enhancement of the property portfolio.
n. Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
o. Continue with the development and realisation through land sales or leased assets of the Te Rapa Gateway property in Hamilton.

2.3.2. Year ending June 2021

Port Otago – port operations
a. Continue to build the safety culture across all aspects of the business.
b. Adapt to changes in the global shipping industry to ensure appropriate services are available to our customers, investing in appropriate infrastructure to enable sustainable cargo flows for future generations.
c. Continue to invest in cruise infrastructure and resources to handle the expected 140 cruise ship visits.
d. Continuation of dredging in the harbour to facilitate the safe access of ships to berths and cater for larger ships.
e. Continue to evaluate and where practical, implement technology solutions to deliver improved environmental outcomes, such as an electric light vehicle fleet, automation solutions and shore power for vessels.
f. Complete the new Port Otago office at Port Chalmers and demolish the current office building.
g. Construction of the groynes and sand re-nourishment at Te Rauone beach
h. Continue to work constructively with community consultative groups including supporting the independent chair of the Noise and Environment Committee to better understand neighbourhood issues and develop practical solutions.
i. Continue to engage and support the Harbourside vision alongside Otago Regional Council, Dunedin City Council and University of Otago.
Chalmers Properties Limited, subsidiary and joint ventures
j. Continue to implement the strategy for enhancement of the property portfolio.
k. Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
l. Continue with the development and realisation through land sales or leased assets of the Te Rapa Gateway property in Hamilton.

2.3.3. Year ending June 2022

Port Otago – port operations	
a.	Continue to build the safety culture across all aspects of the business.
b.	Adapt to changes in the global shipping industry to ensure appropriate services are available to our customers, investing in appropriate infrastructure to enable sustainable cargo flows for future generations.
c.	Continuation of dredging in the harbour to facilitate the safe access of ships to berths and cater for larger ships.
d.	Continue to evaluate and where practical, implement technology solutions to deliver improved environmental outcomes, such as an electric light vehicle fleet, automation solutions and shore power for vessels.
e.	Continue to work constructively with community consultative groups including supporting the independent chair of the Noise and Environment Committee to better understand neighbourhood issues and develop practical solutions.
f.	Continue to engage and support the Harbourside vision alongside Otago Regional Council, Dunedin City Council and University of Otago.
Chalmers Properties Limited, subsidiary and joint ventures	
g.	Continue to implement the strategy for enhancement of the property portfolio.
h.	Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
i.	Continue with the development and realisation through land sales or leased assets of the Te Rapa Gateway property in Hamilton.

3. Ratio of consolidated equity to total assets

Financial Year ending 30 June	Actual or estimate	Consolidated shareholders funds (equity)	Total assets	Ratio of shareholders funds to total assets (equity ratio)
2018	Actual	\$468m	\$583m	80%
2019	Estimate	\$507m	\$600m	84%
2020	Estimate	\$525m	\$642m	82%
2021	Estimate	\$540m	\$658m	82%
2022	Estimate	\$555m	\$677m	82%

Equity comprises the issued and paid up capital together with retained earnings, the property revaluation reserve and any other reserves. Total assets represent all assets of the Group determined in accordance with the accounting policies as set out in the 2019 Annual Report.

The preferred range over time for the equity ratio is between 70% and 85%. The timing of capital expenditure, the income yields on Company investments and prevailing market conditions may mean it is prudent for the Company to operate outside the preferred equity ratio range for periods of time.

4. Accounting Policies

The Company's accounting policies are detailed in the 2019 Annual Report which is available from the Company's website located at www.portotago.co.nz

5. Performance Targets

The performance of the Company in relation to its objectives may be judged by comparing actual results with budgeted targets of the following nature:

5.1. Health & Safety

The Company has a Zero Harm strategy in place whereby it endeavours to be an industry leader in setting new standards of health and safety. With the involvement of every team member it is planned we'll thoroughly understand and manage our critical risks, to progressively improve health and safety performance across the business.

The key health and safety performance measures are:

- Maintain a Total Recordable Injury Frequency Rate (TRIFR) of < 10 for every 1 million man hours worked.
- Leadership undertake a minimum of 40 Visual Safety Leadership Audits / Observations each month.
- Identification and management of critical risks.

5.2. Trade

Port Otago's 2020 financial year budgeted container throughput is 188,000 twenty foot equivalent units (TEU) and the budgeted conventional cargo throughput is 1.7 million tonnes.

The expected number of cruise vessel arrivals in the year to 30 June 2020 is 123 vessels.

5.3. Container terminal productivity

The Company aims to achieve average gross container crane productivity for the year ending 30 June 2020 of 27.5 lifts per crane hour.

5.4. Sustainability

The Company aims to minimise the impact of port operations on the environment and our neighbours.

The key Sustainable Performance targets are:

- No harbour pollution discharge occurrences
- No breaches of consent conditions
- Reduction in energy usage and adoption of new technology such as electric vehicles

5.5. Financial measurement and performance

The performance measures to be used are:

Earnings before interest, taxation, realised and unrealised investment property gains (EBIT) return on average total assets.

Return on equity	Profit, including unrealised fair value movements, divided by average shareholders' equity.
Equity ratio	The percentage that equity represent of total assets with the target range between 70% and 85%.
Debt servicing ratio	The number of times interest is covered by the profit before tax, interest, unrealised fair value movements and unrealised impairment charges. Unrealised fair value movements include investment property revaluations, changes in the value of interest rate swaps and changes in the value of foreign exchange contracts.

The budgeted targets for Port Operations, Chalmers Properties Ltd (excluding property revaluations) and the Port Otago Group for the year ending 30 June 2020 are:

Port Operations

EBIT return on average assets	6.7%
Return on average equity	5.9%

Chalmers Properties Ltd

EBIT return on average assets	5.3%
Return on average equity	4.4%

(Property revaluations not included)

Port Otago Group

EBIT return on average assets	6.0%
Return on average equity	5.0%
Equity ratio at 30 June 2020	82%
Debt servicing ratio	10.9 times

6. Dividend Policy

The return to the shareholders from shares held in Port Otago Limited will include dividends from trading profits earned.

The intention is to maintain ordinary dividends at least at \$7.5 million, increasing over time to within the range of 50% to 70% of the group's normalised operating surplus after tax.

7. Information for Shareholder

Sufficient information will be made available to the Company's shareholder so that they may properly assess the value of their investment in the Company, in particular any change in value.

An Interim Report covering the six months to 31 December of each year shall be provided by 28 February. The report shall include a commentary on activities and unaudited financial statements for the period.

The Annual Report for each year ending 30 June shall be provided by 30 September of each year. The annual report shall include a commentary on activities, a comparison with performance targets set out in the Statement of Corporate Intent and audited financial statements for the year.

In conjunction with the Interim and Annual Reports the Company shall report to the shareholder on progress with implementing the Objectives and the Specific Activities set out in the Statement of Corporate Intent.

8. Procedures for business acquisition

The Group will only invest in shares of another company or business if the acquisition will produce shareholder added value over the longer term.

If any Company within the Group intends to subscribe for or otherwise acquire a financial interest in any company or business where the cost of that interest or acquisition exceeds 10% of Group shareholders' funds it will have prior consultation with its shareholders.

9. Activities subject to Compensation

The Company will provide the following services for the Otago Regional Council for which the company expects to be remunerated or reimbursed by the Regional Council:

- a) Assistance in matters of good navigation and safety on Otago Harbour.
- b) Provision of such services as may be requested by the Regional Council.